

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

PERIODIC REPORTING  
(PROPOSAL SIX)

Docket No. RM2018-9

**RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO QUESTIONS 1-4 OF CHAIRMAN'S INFORMATION REQUEST NO. 1**  
(July 19, 2018)

The United States Postal Service hereby provides its responses to the above-listed questions of Chairman's Information Request No. 1, issued July 12, 2018. The questions are stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorney:

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Eric P. Koetting

475 L'Enfant Plaza West, S.W.  
Washington, D.C. 20260-1137  
(202) 277-6333  
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**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO  
PRESIDING OFFICER'S INFORMATION REQUEST NO. 1**

1. Please refer to Petition, Proposal Six at 4. The Postal Service states that “[a]s previously discussed, the Postal Service has studied the ability to separate the product cost from the insurance cost for GXG, PMEI, and PMI services. The Postal Service determined that the detailed data are reliable and accurate.” Please provide the following:
  - a. The “detailed data” used to separate the product cost from the insurance cost for GXG, PMEI, and PMI, and a narrative explaining the source of the data.
  - b. Supporting workpapers and a narrative demonstrating how the Postal Service will separate the product cost from the insurance cost for GXG, PMEI, and PMI.
  - c. A narrative, with any applicable supporting documentation, explaining how the Postal Service reached its determination that the data and its methodology for the separation of the product costs from the insurance costs are reliable and accurate.

**RESPONSE:**

- a. Please see Inbound\_PRC.xls, Outbound\_PRC.xls, International Insurance Indemnity.log, and International Insurance Indemnity.sas filed under seal in USPS-RM2018-9/NP2. The data contain the individual claim numbers, amounts, and parcel ID codes for FY2017. The source of the data is the International Claims System and the Product Tracking System. The claims data are entered into the system when a customer initiates an inquiry. As the inquiry moves through the investigation and determination process data, the inquiry is updated and amended.
- b. The International Claims System data described in the response to Question 1a above provide the indemnity amount, the included insurance amount, the fee for Outbound International Insurance purchased for GXG, PMEI, and PMI items, as well as the fee for purchasing Registered Mail.

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The data include Service Type, Mail Class, and the Parcel ID Code, which are used to further define the mail pieces. The Postal Service will separate the product costs from insurance costs for GXG, PMEI, and PMI items, by examining all of the fields, and if all of the fields indicate that only included insurance was in effect for a mailing, the indemnity value will be assigned to that mailing. On the other hand, if one of the fields indicates that Outbound International Insurance was purchased for a GXG, PMEI, or PMI item, that indemnity value will be assigned to Outbound International Insurance. Also, if one of the fields indicates that Registered Mail service was purchased for an item, that indemnity value will be assigned to the Registered Mail Service. The process continues until all of the indemnities provided in the data have been assigned.

The results of that process provide the distribution key to distribute the Indemnities attributable costs in Cost Segment 20 as shown in in tab I-CS20 of I\_Forms-NP-Indemnities-FY17.xls filed under seal in USPS-RM2018-9/NP2. I\_Forms-NP-Indemnities-FY17.xls is one of the inputs to the Domestic Processing Model that produced columns F and G of the C Report Comparison tab of Attachment I associated with this proposal, and is the only input that changed from USPS-FY17-NP4. Attachment 1 then goes on to show the complete impact of the proposal.

- c. In previous years, summary data from the International Claims System were provided for use in the Cost and Revenue Analysis report (CRA).

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This proposal uses additional fields to aggregate the data in a manner that more appropriately assigns costs to products, especially to the Outbound International product. The Postal Service ensured that the data used in this proposal was accurate and reliable by recreating the summary provided in FY2017 and comparing the two. The differences found between the two summaries resulted from duplicate claims found in the initial summary data and missing or incomplete information that could have been resolved previously by using the Parcel ID Code.

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2. Please refer to Petition, Proposal Six at 5. The Postal Service states that “[a]ny indemnities that cannot be assigned using [combined origin country postal operator/Product Tracking System (PTS data)] are assigned to products in the same proportion as the indemnities for which actual data are available.” Please provide the following:
- a. The percentage of indemnities that cannot be assigned using either standardized Universal Postal Union barcodes or combined origin country postal operator/PTS data for FY 2017 and any other years considered in the Postal Service’s study of this proposal.
  - b. A narrative explaining why these indemnities cannot be assigned to products.
  - c. A narrative describing any potential variance in the amount of these indemnities in future years.

**RESPONSE:**

- a. There are no indemnities that cannot be assigned to a product. The question refers to the approximately 13.8 percent of claims for FY2017 for which a distinction was not made between Foreign Origin Air Parcel Post and Foreign Origin Surface Parcel Post. The Postal Service proposes for FY2017 to assign that 13.8 percent based on known proportions in the Surface and Air Parcel Post data for FY2017, and further proposes to apply a similar procedure going forward using corresponding data from each future year.
- b. For Foreign Origin mail, the Postal Service receives data from the Foreign Postal Operator that is dependent on the Foreign Postal Operator providing complete data. If the Postal Operator does not provide the data necessary to make these distinctions at the time of mailing, the information will not be captured in the Product Tracking System. Additionally, some data provided by the Foreign

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Postal Operator in accordance with applicable agreements in relation to claims and inquiries concerning indemnities do not include certain product information.

c. The amount of these indemnities in future years will be a function of some combination of the volume received, the volume of items that qualify for an indemnity, the amount of information received at time of mailing, and potential changes to policies and agreements with the UPU and Foreign Postal Operators.

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- 3.** Please refer to Petition, Proposal Six at 5. The Postal Service states that “[t]he distribution key appearing in the I-CS20 tab of I\_Forms-NP-FY17 in the B Workpapers directory of USPS-FY17-NP14 is expanded to include the International Inbound categories.” Please provide this expanded distribution key.

**RESPONSE:**

Please see the expanded distribution key in tab I-CS20 of I\_Forms-NP-Indemnities-FY17.xls filed under seal in USPS-RM2018-9/NP2.

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4. Please refer to Library Reference USPS-FY17-NP5, Word file "Part22017.doc." Please confirm that the Postal Service intends to update this document to reflect Proposal Six. If confirmed, please provide revised "Part22017.doc" that reflects the changes proposed in the instant docket. If not confirmed, please explain.

**RESPONSE:**

Confirmed. Please see the yellow-highlighted sections of Chapter 9 of Part22017-Indemnities.pdf filed under seal in USPS-RM2018-9/NP2.